Tax-Happy Dems Jeopardize U.S. Economy

Now is *not* the time for tax hikes

National Review Online
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September 21, 2007

Now that recession-warning lights have begun to blink, Democrats should give tax hikes a rest.

As tax-happy Democrats might have noticed, the stock market resembles a kindergartner on a swing set: half-giddy, half-scared, and hyperactive. Meanwhile, payrolls sagged by 4,000 positions last month. Not since August 2003 has America created no new jobs. Fifty-two economists in September 13's *Wall Street Journal* offered a 36-percent average probability of recession by next September, up from 28-percent in August.

Oil hit $81.93 per-barrel Wednesday — hardly good news. And the tumultuous home-mortgage industry suffered 243,497 foreclosure listings last month, up 115-percent versus August 2006, RealtyTrac.com reports. This mess triggered 12,000 layoffs, just at lender Countrywide Financial Corp. To prevent tight credit from suffocating the economy, the Federal Reserve Board Tuesday hastily administered a 0.5-percent federal-funds-rate reduction.

Amid these worrisome omens and genuine human suffering, the last thing America needs is for congressional Democrats to stuff a pillow over the economy's face. But they can't control themselves.

"Through 2012, the Democratic Congress' new budget raises taxes $217 billion," the National Taxpayers Union's Pete Sepp calculates. "If no surpluses appear that year, another $175.5 billion tax hike automatically kicks in."

This $392.5 billion includes a halving of the per-child tax credit, restoration of the marriage penalty, a 50-percent leap in the low-income tax bracket (10-percent under Republicans; 15-percent under Democrats), and the resurrection of the Death Tax — from 0 to 55-percent.

After August's tragic Minneapolis bridge collapse, House Transportation chairman James Oberstar (D., Minn.) proposed a "temporary" nickel-a-gallon federal gasoline-tax increase. Never mind that existing gas-tax revenues vanish into narcissistic pork projects rather than urgent infrastructure repairs. Such a tax hike would "cost American motorists an estimated $25 billion over the next three years," NTU reckons.

Democrats cannot plea that soaring deficits require tax hikes to absorb red ink. Indeed, the federal budget gap narrowed from $413 billion in 2004 to $158 billion today, proving that the best deficit medicine nearly always is to limit taxes and consequently unleash American enterprise. A thinner federal slice of a bigger economic pie usually yields revenues exceeding pre-tax-cut levels.

Federal receipts have zoomed 7-percent this year. “The tax cuts are working exactly as intended,” Heritage Foundation analyst Brian Riedl argues. “Lower tax rates have increased the incentives to work, save, and invest, and as a result, the economy has grown faster than expected.” He adds: “Concerns that the Bush tax cuts would lead to a long-term shortfall of government revenues have proven false …Tax revenues in 2007 are now estimated to be $70 billion above the level projected even *before* the 2003 tax cuts. In other words, tax revenues are now *above* their pre-tax cut baseline.”

Democrats cannot deny what happened after President Bush and Capitol Hill Republicans slashed maximum capital-gains taxes from 18 to 15-percent in 2003. Rather than dwindle $5.37 billion between 2003 and 2006, as the congressional Joint Tax Committee’s antique, static-analysis model wrongly predicted, revenues actually advanced $53 billion.

Foreign economic ministers understand these lessons and are lowering taxes as if Franklin Roosevelt never lived and Ronald Reagan never died.

“Sweden and Russia last year eliminated their estate taxes because they said the tax was economically counterproductive,” economist Stephen Moore wrote in the August 31 *Wall Street Journal*. “In Germany under Chancellor Angela Merkel, the corporate tax rate has been reduced to less than 30 percent from 39-percent.” Poland recently chopped its business tax from 27-percent to 19.

Even Hanoi gets it! Thanks to corporate-tax relief, “the business environment will become more and more attractive, resulting in increased investment,” Vietnamese tax chief Nguyen Van Ninh told Moore.

While America’s corporate tax levitates at 35-percent, seven European Union nations have lowered business levies this year. The EU-average corporate tax is 24.2-percent.

“Further corporate tax rate cuts are being implemented in Germany, Estonia, Spain, and the United Kingdom, and rate cuts are being discussed in the Czech Republic and France,” observes Cato Institute senior fellow Dan Mitchell. “Even the bloated welfare states of France and Sweden have lower corporate rates and generally better corporate tax systems than America.”

Democrats thus resist global pro-market trends, even among progressive governments long on social solidarity and short on “reckless cowboyism.”

But, for most Democrats, these facts and numbers are irrelevant. Taxes are not about merely funding vital government duties and basic public services. They are meant to punish the wealthy, "correct" personal behavior, and distribute universal largesse. Thus, Democrats itch to raise taxes on highly lucrative private-equity partnerships, from 15 to 35-percent.

True to form, the Democratic Senate voted in August to hike cigarette taxes 156 percent, from 39 cents to $1 per pack. This would ignite a massive explosion in the State Child Health Insurance Program. The Democratic House extended government medicine to kids in families of four earning *quadruple* the Federal Poverty Line, or $82,600 — twice today's threshold. The House also redefined "child" as an eligible boy or girl …up to age 25.

While America's economy clings from a ledge, Democrats dance on its fingertips. When the donkey party promises "change," it delivers — good and hard.

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